



Cherokee County Cogeneration Partners, L.L.C.

132 Peoples Creek Road • Gaffney, SC 29340

(864) 488-3630 • Fax (864) 488-1312

September 8, 2021

David B. Johnson
Duke Energy
Director, Business Development and Compliance

Re: Increase in performance security under Power Sales Agreement between Cherokee County Cogeneration Partners, LLC and Duke Energy Carolinas, LLC, dated as of June 28, 2012 and extended by order of the Public Service Commission of South Carolina (the "Commission") on December 30, 2020 and on April 28, 2021 (as extended, the "PPA")

Dear Mr. Johnson:

Cherokee County Cogeneration Partners, LLC ("Cherokee") responds to Duke Energy Carolinas, LLC, ("DEC") letter dated July 6, 2021. As Cherokee noted previously in its letter to DEC dated July 6, 2021, a replacement LOC with the conditions sought by DEC is neither required nor contemplated by Section 10.1 of the PPA or any other provision of the PPA. However, in an effort to resolve the performance security issue until the current PPA extension and new PPA issue is resolved, Cherokee posted \$3 million to DEC on or before August 10, 2021.

DEC has further requested additional performance security in an amount of \$3 million be posted by Cherokee on or before September 10, 2021 (the "Additional Performance Security"). DEC further states that Cherokee will be in default of the existing PPA if the Additional Performance Security is not posted and will withhold future payments to Cherokee.

Consistent with the plain language of the PPA and the recent Commission order dated August 27, 2021, Cherokee will consider DEC in breach of the PPA should DEC withhold future payments under the PPA. As stated previously, any notice of default under the PPA related to Additional Performance Security is neither required nor contemplated by Section 10.1 of the PPA or any other provision of the PPA. Additionally, Commission order dated August 27, 2021 (Docket No. 2020-263-E, Order No. 2021-604) establishes a process for Cherokee and DEC to reconcile payments shortly after a new PPA is entered into, whereby

DEC shall file a petition for a true-up of rates paid from January 1, 2021 until the beginning date of the new PPA. Cherokee considers the Commission petition and true up process the appropriate venue to resolve any payment necessary.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Carolyn Murff', with a large loop at the start and a wavy line extending to the right.

Carolyn Murff

Cc: (via email)
Michael Keen, Duke Energy
Robert Dewechter
South Carolina Public Service Commission